



# COMMISSION NEWS

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ARIZONA CORPORATION COMMISSION, 1200 W. WASHINGTON, PHOENIX, AZ 85007

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TO: EDITORS, NEWS DIRECTORS  
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## **INSURANCE SALESMAN AGREES TO RETURN COMMISSIONS EARNED ON PAY TELEPHONE CONTRACTS**

PHOENIX – The Arizona Corporation Commission entered into a consent order with 60-year-old insurance salesman, John R. Wallrich, who agreed to return \$123,920 and pay a \$10,000 penalty for selling unregistered pay telephone investment contracts in Alpha Telcom, Inc. to 29 investors. The money that Wallrich is returning is equal to his sales commissions and represents approximately 17 percent of what investors originally invested. The remainder of the investors' funds went to Alpha Telcom. Because the company filed bankruptcy, it is unknown what – if any – funds will be recovered from Alpha Telcom.

From May 2000 to May 2001, Wallrich sold 138 contracts at \$5,000 each in Alpha Telcom, an Oregon corporation that offered the pay telephones and service contracts. Although licensed to sell insurance, Wallrich was not licensed to sell securities in Arizona. In addition, the Alpha Telcom contracts are not registered investments and do not have an applicable exemption from registration in Arizona. Wallrich also recruited other licensed insurance salespeople to sell the Alpha Telcom contracts.

Wallrich did not contest the Commission's findings that he presented Alpha Telcom to prospective customers as a stable, profitable and innovative company that had been in business since 1985. Wallrich told prospective investors that their investment was insured, but the Commission found that no insurance coverage existed and that Alpha Telcom was subject to administrative orders from at least 12 state and

federal regulators.

Alpha Telcom declared bankruptcy in August 2001. Investors were not aware of the company's long history of problems with regulatory agencies, but they became aware of the bankruptcy when payments from Alpha Telcom stopped.

Wallrich agreed to return his net commissions on the date of the order. Although this order resolves the Commission's claims against Wallrich, the Commission anticipates that it will take separate action against other individuals who were involved in sales of the Alpha Telcom contracts. In September 2003, the Commission entered into a consent order with 64-year-old insurance salesman, Ralph Shaul of Phoenix, who sold 131 Alpha Telcom contracts.

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